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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01-01-03 AND ENDING 12-31-03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Pacific American Securities, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

9191 Towne Centre Drive, Suite 406

(No. and Street)

San Diego

CA

92122

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Constance L. Gibbs (858) 320-2850

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Levitz, Zacks & Ciceric

(Name - if individual, state last, first, middle name)

701 "B" Street, Suite 400,

San Diego

CA

92101

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 23 2004

THOMSON
FINANCIAL**FOR OFFICIAL USE ONLY**

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

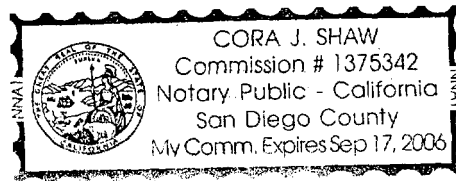
I, Michelle M. Schoeffel, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pacific American Securities, LLC, as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Michelle M. Schoeffel
Signature

President/CEO

Title

Cora J. Shaw
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

PACIFIC AMERICAN SECURITIES, LLC
Audited Financial Statements
December 31, 2003 and 2002

Levitz,
Zacks &
Ciceric

CERTIFIED PUBLIC ACCOUNTANTS

701 "B" STREET, 4TH FLOOR
SAN DIEGO, CALIFORNIA 92101

(619) 238-1077
FAX # (619) 696-8614
MAIL@LZC.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
PACIFIC AMERICAN SECURITIES, LLC
San Diego, California

We have audited the accompanying statements of financial condition of Pacific American Securities, LLC as of December 31, 2003 and 2002, and the related statements of operations, changes in member's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific American Securities, LLC as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as whole. The information contained in Schedules I, II and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



San Diego, California
February 13, 2004

PACIFIC AMERICAN SECURITIES, LLC

Statements of Financial Condition

December 31, 2003 and 2002

...ASSETS...

	<u>2003</u>	<u>2002</u>
Current Assets:		
Cash and cash equivalents	\$ 1,770,378	\$ 993,658
Receivable from brokers and dealers	832,575	667,725
Interest receivable	2,314	5,623
Marketable securities	104,800	63,870
Prepaid expenses	376,978	425,539
Other receivables	<u>58,270</u>	<u>79,559</u>
Total current assets	<u>3,145,315</u>	<u>2,235,974</u>
Fixed Assets:		
Furniture and equipment (net)	<u>62,110</u>	<u>97,354</u>
Total fixed assets	<u>62,110</u>	<u>97,354</u>
Other Assets:		
Clearing deposit	100,000	250,000
Goodwill	415,455	415,455
Deposits	14,274	29,260
Other assets	<u>19,083</u>	<u>13,440</u>
Total other assets	<u>548,812</u>	<u>708,155</u>
Total assets	<u>\$ 3,756,237</u>	<u>\$ 3,041,483</u>

...LIABILITIES AND MEMBER'S EQUITY...

Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,223,590	\$ 829,246
Payable to broker-dealers and clearing organizations	253,328	201,108
Current maturities, notes payable	128,616	83,333
Income tax payable	<u>11,790</u>	<u>11,790</u>
Total current liabilities	1,617,324	1,125,477
Notes payable, net of current maturities	<u>233,334</u>	<u>166,667</u>
Total liabilities	<u>1,850,658</u>	<u>1,292,144</u>
Member's equity	<u>1,905,579</u>	<u>1,749,339</u>
Total liabilities and member's equity	<u>\$ 3,756,237</u>	<u>\$ 3,041,483</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC AMERICAN SECURITIES, LLC
Statements of Operations
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenue:		
Commissions and fees	\$ 9,685,754	\$ 9,573,224
Other	<u>24,485</u>	<u>4,845</u>
Total revenue	<u>9,710,239</u>	<u>9,578,069</u>
Expense:		
Commissions	1,919,295	2,299,286
Floor brokerage, exchange, and clearing fees	2,276,558	2,236,393
Employee compensation and benefits	1,411,429	1,588,882
Selling expenses	3,386,962	2,995,418
Communications	119,268	158,910
Occupancy and equipment expenses	164,212	87,675
Professional services	17,028	22,774
Other expenses	<u>325,834</u>	<u>343,709</u>
Total expenses	<u>9,620,586</u>	<u>9,733,048</u>
Income (loss) from operations	<u>89,653</u>	<u>(154,979)</u>
Other income (expense):		
Interest income	57,511	38,610
Interest expense	(7,630)	(2,958)
Loss on investments	(19,549)	(104,793)
Forgiveness of debt	83,333	-0-
Depreciation and amortization	(44,919)	(38,559)
Litigation and settlement expenses	<u>(140,569)</u>	<u>59,028</u>
Total other income (expense)	<u>(71,823)</u>	<u>(48,672)</u>
Income (loss) before provision for income taxes	17,830	(203,651)
Provision for income taxes	<u>(12,590)</u>	<u>(13,390)</u>
Net income (loss)	<u>\$ 5,240</u>	<u>\$ (217,041)</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC AMERICAN SECURITIES, LLC
Statements of Changes in Member's Equity
Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Balance at beginning of year	\$ 1,749,339	\$ 2,941,380
Net income (loss)	5,240	(217,041)
Distributions to member	(110,000)	(975,000)
Member's capital contributions	<u>261,000</u>	<u>-0-</u>
Balance at end of year	<u>\$ 1,905,579</u>	<u>\$ 1,749,339</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC AMERICAN SECURITIES, LLC

Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Net income (loss)	<u>\$ 5,240</u>	<u>\$ (217,041)</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	44,919	38,559
Forgiveness of debt	(83,333)	-0-
Decrease (increase) in receivable from brokers and dealers	(164,850)	108,064
Decrease (increase) in interest receivable	3,309	(4,782)
Decrease (increase) in marketable securities	(40,930)	324,347
Decrease (increase) in prepaid expenses	48,561	(22,322)
Decrease (increase) in other receivables	21,289	(322,962)
Decrease (increase) in deposits	14,986	-0-
Decrease (increase) in clearing deposit	150,000	(150,000)
Decrease (increase) in other assets	(5,643)	33,950
(Decrease) increase in accounts payable and accrued expenses	<u>446,564</u>	<u>(23,353)</u>
Total adjustments	<u>434,872</u>	<u>(18,499)</u>
Net cash provided by (used in) operating activities	<u>440,112</u>	<u>(235,540)</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>(9,675)</u>	<u>(88,382)</u>
Net cash used in investing activities	<u>(9,675)</u>	<u>(88,382)</u>

The accompanying notes are an integral part of these financial statements.

PACIFIC AMERICAN SECURITIES, LLC

Statements of Cash Flows

(Continued)

Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from financing activities:		
Proceeds from note payable	200,000	250,000
Payments on note payable	(4,717)	-0-
Member's capital contributions	261,000	-0-
Distributions to member	<u>(110,000)</u>	<u>(975,000)</u>
Net cash provided by (used in) financing activities	<u>346,283</u>	<u>(725,000)</u>
Net change in cash	776,720	(1,048,922)
Cash and cash equivalents at beginning of year	<u>993,658</u>	<u>2,042,580</u>
Cash and cash equivalents at end of year	<u>\$ 1,770,378</u>	<u>\$ 993,658</u>
Supplemental cash flows disclosures:		
Income tax payments	\$ 12,590	\$ 13,390
Interest payments	\$ 7,630	\$ 2,958

The accompanying notes are an integral part of these financial statements.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

Note A: ORGANIZATION AND NATURE OF ACTIVITIES

The Company was formed as a Limited Liability Company in the State of California on February 19, 1997 (subsequently changed to a Delaware Limited Liability Corporation on April 1, 1999), to operate as a registered broker-dealer with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company operates three branches, two branches in California and one branch in New York. The Company's primary source of revenue is providing brokerage services to customers who are predominately institutional investors. All trades are executed and settled by clearing brokers. The Company, as of December 31, 2003 and 2002, is a wholly-owned subsidiary of Pacific American Services Group, LLC (Parent). The broker-dealer which acted as the clearing broker for substantially all trades, for the period from January 1, 2001 through September 30, 2002, owns 4.5% of the Parent.

Note B: SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Company recognizes income and expense on the accrual basis for financial and income tax reporting purposes.

Commissions and related clearing expenses are recorded on a settlement date basis.

Securities Transactions

Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a settlement date basis. Customers' securities transactions are reported on a settlement date basis with related commission income and expenses reported on a settlement date basis.

Marketable securities are considered trading securities and are valued at market value.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note B: **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with the accrual basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from those estimates.

Receivable from Brokers and Dealers

All accounts receivable are unsecured, current and have been determined to be fully collectible by management. No adjustment or allowance has been included in the financial statements for uncollectible accounts receivable.

Marketable Securities

Marketable securities include the Company investment in various debt and equity securities at fair market value. Classification is current based on the Company's intent to hold or sell the securities within one year.

Furniture and Equipment

Furniture and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to ten years.

Goodwill

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) which requires that all intangible assets acquired, other than those acquired in a business combination, be initially recognized and measured based on the asset's fair value. Goodwill and certain identifiable intangible assets are not to be amortized under SFAS 142, but instead are reviewed for impairment at least annually in accordance with the provisions of this statement. The Company adopted the provisions of SFAS 142 effective January 1, 2002.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note B: SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Transactions

The Company does not hold inventory for customers. Securities transactions, including mutual fund transactions, are cleared through another broker-dealer on a fully disclosed basis.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly liquid investments with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

Facility Cost

On July 11, 2003, the Securities and Exchange Commission (SEC) Division of Market Regulation (DMR) issued a letter to clarify its position under SEC Rules 15c3-1, 17a-3, 17a-4, and 17a-5 regarding the treatment of broker/dealer expenses and liabilities. The Letter addresses situations in which another party has agreed to pay expenses related to the business of the broker/dealer. The Letter requires the broker/dealers to record these expenses and liabilities on their financial statements. NASD members must be able to demonstrate compliance with the requirements stated in the Letter by no later than December 1, 2003. The Company was provided its offices, at no cost, by Pacific American Services Group, LLC (Parent) through November 30, 2003. Commencing December 1, 2003, the Company began recording as an expense its allocated facility costs.

Soft Dollar Arrangements

The Company provides research to certain customers pursuant to soft-dollar arrangements. The value of the research to be provided is based on a percentage of commission income received from the customer. The research is typically purchased by the Company from third parties. A liability is recorded for research due to customers based on commission income received.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note C: CASH AND CASH EQUIVALENTS

The Company maintains its cash balances at banks and financial institutions. The balances are insured by the Federal Deposit Insurance Corporation and the Securities Investors Protection Corporation up to \$100,000 and \$500,000, respectively. In addition, the Company's account with a financial institution is fully insured by the institution up to the net equity of the account. As of December 31, 2003 and 2002, cash balances in excess of insured balances totaled \$1,577,108 and \$655,424, respectively.

Note D: MARKETABLE SECURITIES

At December 31, 2003, the Company included in its marketable securities long position in its fully-disclosed trading accounts totaling \$19,502. At December 31, 2002, the Company included in its marketable securities the net amount of long and short positions in fully-disclosed trading accounts. This net amount at December 31, 2002, was \$1,072.

In 2003, the Company included in net income a realized loss of \$140,897, and an unrealized gain of \$121,348. In 2002, the Company included in net loss, a realized loss of \$163,931, and an unrealized gain of \$59,138.

Note E: NET CAPITAL

Pursuant to the net capital provisions of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions (SEC Rule 15c3-1). Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2003, the Company had net capital requirements of \$123,376, and net capital of \$938,989. At December 31, 2002, the Company had net capital requirements of \$496,500, and net capital of \$667,469.

Note F: K(2)(ii) EXEMPTION

The Company relied on Section K(2)(ii) of the Securities and Exchange Commission Rule 15c3-3 to exempt them from the provisions of the rule.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note G: FURNITURE AND EQUIPMENT

	<u>2003</u>	<u>2002</u>
Equipment	\$ 215,245	\$ 206,401
Furniture	<u>52,399</u>	<u>51,568</u>
Total fixed assets	267,644	257,969
Less accumulated depreciation	<u>(205,534)</u>	<u>(160,615)</u>
Net fixed assets	<u>\$ 62,110</u>	<u>\$ 97,354</u>

Note H: INCOME TAX PROVISION

The Company files its own federal, state and local tax returns. Due to the nature of a Limited Liability Company, the member is taxed directly on the profits and losses of the Company. The Company is liable for the minimum state tax and a Limited Liability Company franchise fee.

At December 31, 2003 and 2002, the Company made an appropriate State Income Tax provision for minimum state tax and Limited Liability Company Franchise fees:

	<u>2003</u>	<u>2002</u>
Current income tax provision	<u>\$ 12,590</u>	<u>\$ 13,390</u>

Note I: CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note J: RETIREMENT PLAN

The Company maintains a 401(k) Plan for substantially all employees who have completed three months of services. The Company did not make contributions for the years ended December 31, 2003 and 2002.

Note K: LITIGATION

In January 2002, a customer filed a Statement of claim against an independent contractor of the Company with the NASD. The action states, among other items, negligence and breach of fiduciary duties and seeks compensatory and punitive damages. The Company settled this matter in 2002.

During 2002, the Company filed suit against a former broker that committed a trading error in excess of \$200,000. The complaint states, among other items breach of contract, negligence and unjust enrichment. The Company prevailed on the claim and was awarded \$40,000 in January 2004.

Note L: NOTES PAYABLE

On September 30, 2002, the Company entered into a Forgivable Promissory Note with its new clearing broker in the amount of \$250,000. The note calls for equal annual installments of \$83,333 due on September 30th of 2003, 2004 and 2005, plus accrued interest at the rate of eight percent per annum. Each annual installment of principal and interest shall be forgiven and deemed paid by the Company if the clearing broker arrangement has not been terminated as of the due date of the installment.

As of September 30, 2003 the clearing broker forgave the \$83,333 payment that was due on this Note. The Company recognized the forgiveness of debt as other income. As of December 31, 2003, the amount outstanding on this note was \$166,667.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note L: NOTES PAYABLE (continued)

On September 30, 2002, the Company entered into a Revolving Credit Agreement (Agreement) with its bank for up to \$250,000. The terms of the Agreement allowed the Company to draw on the credit as needed from October 1, 2002, to April 15, 2003. There was no amount outstanding on the Agreement as of December 31, 2002. On April 15, 2003, the outstanding balance on the Agreement converted into a five-year term loan requiring amortization over sixty months. The Agreement is guaranteed by the Parent, secured by the assets of the Company, requires the maintenance of certain financial covenants, and a compensating balance of three times the commitment amount. Interest is to be accrued at the rate of prime plus three quarter percentage points. As of December 31, 2003, the outstanding balance on the Note was \$195,283. The compensating balance totaling \$585,849 is included in cash and cash equivalents on the accompanying Statement of Financial Condition.

Debt maturities over the next five years:

2004	\$ 128,616
2005	128,616
2006	45,283
2007	45,283
2008	<u>14,152</u>
	<u>\$ 361,950</u>

Note M: NEW YORK OFFICE

In December 2002, the Company opened a second office in New York City. Related to this expansion, the Company has expended approximately \$245,000 for legal fees, occupancy costs, systems setup and salaries. These amounts are included in operating expenses for the year ended December 31, 2002.

In May 2003, the Company closed the second office in New York City. Included in the net loss from operations for the year ended December 31, 2003, is a net loss of \$200,257 from this office.

PACIFIC AMERICAN SECURITIES, LLC

Notes to the Financial Statements

December 31, 2003 and 2002

(Continued)

Note N. LEASE COMMITMENTS

The Company has entered into various non-cancelable operating lease agreements for office equipment. These leases are for varying terms. The minimum annual amounts due under these operating leases are:

Year Ending December 31

2004	\$ 13,044
2005	13,044
2006	12,952
2007	9,120
2008	<u>431</u>
	<u>\$ 48,591</u>

The 2003 related-party rent and equipment lease cost allocation from Parent are as follows:

Rent	\$ 12,608
Furniture	3,050
Trading desk	<u>2,718</u>
	<u>\$ 18,376</u>

Five year related-party lease cost allocation payment schedule:

2004	\$ 142,849
2005	32,616
2006	32,616
2007	-0-
2008	<u>-0-</u>
	<u>\$ 208,081</u>

SUPPLEMENTAL SCHEDULES

PACIFIC AMERICAN SECURITIES, LLC
Computation of Net Capital and Aggregate Indebtedness
December 31, 2003 and 2002

Schedule I

	<u>2003</u>	<u>2002</u>
Equity at December 31	<u>\$ 1,905,579</u>	<u>\$ 1,749,339</u>
Less non-allowable assets:		
Petty cash	1,100	1,100
Other	3,300	3,300
Furniture and equipment (net)	62,110	97,354
Prepaid expenses and deposits	468,605	547,799
Goodwill	<u>415,455</u>	<u>415,455</u>
Total non-allowable assets	<u>950,570</u>	<u>1,065,008</u>
Net capital before hair cuts	955,009	684,331
Hair cuts	<u>16,020</u>	<u>16,862</u>
Net capital	<u>\$ 938,989</u>	<u>\$ 667,469</u>
Total liabilities	<u>\$ 1,850,658</u>	<u>\$ 1,292,144</u>
Aggregate indebtedness	<u>1,850,658</u>	<u>1,292,144</u>
Net capital required	100,000	496,500
Minimum net capital required (6 2/3% of aggregate indebtedness)	<u>123,376</u>	<u>86,143</u>
Minimum dollar requirement	<u>100,000</u>	<u>496,500</u>
Net capital requirement (greater of the two)	<u>123,376</u>	<u>496,500</u>
Excess net capital @ 1000% (net capital, less 10% of aggregate indebtedness)	<u>\$ 753,922</u>	<u>\$ 538,255</u>

PACIFIC AMERICAN SECURITIES, LLC
Reconciliation of Net Capital Computation with Focus II
December 31, 2003 and 2002

Schedule II

	<u>2003</u>	<u>2002</u>
Net capital per December 31, Focus II Report	\$ 942,104	\$ 667,469
Increase (decrease) in income due to audit adjustments	(3,115)	(212,000)
(Increase) decrease in non-allowable assets due to audit adjustments	<u>-0-</u>	<u>212,000</u>
Net capital December 31	<u>\$ 938,989</u>	<u>\$ 667,469</u>
Reconciliation of audit adjustments:		
Reserve 100% on outstanding receivable from former broker	\$ -0-	\$ (212,000)
Adjust year end income tax provision	(11,790)	-0-
Adjust accrual for clearing charges	<u>8,675</u>	<u>-0-</u>
Increase (decrease) in income due to audit adjustments	<u>\$ (3,115)</u>	<u>\$ (212,000)</u>

PACIFIC AMERICAN SECURITIES, LLC
Computation for Determination of Reserve Requirements
and Information Relating to the Possession and Control
Requirements under Rule 15C3-3
December 31, 2003 and 2002

Schedule III

Pacific American Securities, LLC relies on Section K(2)(ii) of the Securities and Exchange Rule 15c3-3 to exempt them from the provisions of these rules.

**Levitz,
Zacks &
Ciceric**

CERTIFIED PUBLIC ACCOUNTANTS

701 "B" STREET, 4TH FLOOR
SAN DIEGO, CALIFORNIA 92101

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Board of Directors
**PACIFIC AMERICAN
SECURITIES, LLC**
San Diego, California

In planning and performing our audit of the financial statements of Pacific American Securities, LLC (the Company), for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11), and for determining compliance with the exemptive provision of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the

SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions, or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California
February 13, 2004